

**Watervliet Joint Fire Board  
Berrien County, Michigan**

**Financial Report**

**March 31, 2007**

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RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>Watervliet Joint Fire Board</b>	County <b>Berrien</b>
Fiscal Year End <b>March 31, 2007</b>	Opinion Date <b>September 25, 2007</b>	Date Audit Report Submitted to State <b>September 26, 2007</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>Rendel Elie &amp; Associates PLC, CPA's</b>		Telephone Number <b>(269) 983-1069</b>	
Street Address <b>1010 Main Street Suite B</b>		City <b>St. Joseph</b>	State <b>MI</b>
		Zip <b>49085</b>	
Authorizing CPA Signature <i>Lynda Elie, CPA</i>		Printed Name <b>Lynda Elie, CPA</b>	License Number <b>1101019600</b>

## **Watervliet Joint Fire Board**

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RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees  
Watervliet Joint Fire Board  
Watervliet, Michigan

We have audited the accompanying basic financial statements of the Watervliet Joint Fire Board as of March 31, 2007 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the Watervliet Joint Fire Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Watervliet Joint Fire Board as of March 31, 2007 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Watervliet Joint Fire Board. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Independent Auditors' Report (continued)

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Watervliet Joint Fire Board. We did not examine this data and, accordingly, do not express an opinion thereon.

*Rendel Elie & Associates*  
RENDEL ELIE & ASSOCIATES, PLC  
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2007

1010 Main Street  
St. Joseph, MI 49085  
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**Watervliet Joint Fire Board  
Management's Discussion and Analysis  
March 31, 2007**

**Using this Annual Report**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Fire Board:

- The first column of the financial statements includes information on the Fire Board's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Fire Board's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Fire Board's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Board as a whole and present a longer-term view of the Fire Board's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Watervliet Joint Fire Board  
Management's Discussion and Analysis  
March 31, 2007**

**Condensed Financial Information**

The table below compares key financial information as of March 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets:		
Current assets	\$ 185,572	\$ 160,577
Non-current assets	<u>779,106</u>	<u>815,914</u>
Total assets	964,678	976,491
Liabilities:		
Current liabilities	15,780	12,410
Non-current liabilities	<u>267,000</u>	<u>287,000</u>
Total liabilities	282,780	299,410
Net assets:		
Invested in capital, net of related debt	512,106	528,914
Unrestricted	<u>169,792</u>	<u>148,167</u>
Total net assets	<u>\$ 681,898</u>	<u>\$ 677,081</u>
Revenue:		
Property taxes	\$ 155,478	\$ 147,288
Local unit contributions	20,553	109,067
Grant revenue	-	20,700
Donations	7,500	-
Other	<u>6,394</u>	<u>3,195</u>
Total revenue	189,925	280,250
Expenses	<u>185,108</u>	<u>186,907</u>
Change in net assets	<u>\$ 4,817</u>	<u>\$ 93,343</u>

**Watervliet Joint Fire Board  
Management's Discussion and Analysis  
March 31, 2007**

**The Fire Board as a Whole**

- The Fire Board's net assets increased by \$4,817 compared to \$93,343 the prior year. The primary reason for the decrease is due to a decrease in Watervliet Township support and a decrease in grant revenue.
- The Fire Board's primary source of revenue is from property taxes, which represents 82% of the current year revenue and 53% of the prior year revenue. In August 2006, the Township of Watervliet passed an additional tax of 1 mill effective for the period of 2007 through 2010, raising an additional estimated annual tax of \$106,606.
- Personnel costs continue to be a significant expense of the Fire Board, representing 21% of the current year expenses and 24% of the prior year expenses.

**Capital Asset and Debt Administration**

The Fire Board continues to make payments to Watervliet Township for the construction of the addition to the fire station. Final payment on this loan is scheduled to be paid on September 1, 2015.

Capital assets increased by \$24,993 for the purchase of equipment.

The Fire Board received a donation from an individual of an off-road vehicle with an estimated fair value of \$3,000 during the 2007/2008 fiscal year.

**Fire Board Budgetary Highlights**

The Fire Board did not make any amendments to the originally adopted budget during the year.

Budget variances included donations received during the year and personnel and capital outlay expenditures.

**Contacting the Fire Board's Management**

This financial report is intended to provide a general overview of the Fire Board's finances and to show the Fire Board's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Fire Board treasurer, David Brinker at the Watervliet Fire Department.

**Watervliet Joint Fire Board**  
**Governmental Fund Balance Sheet / Statement of Net Assets**  
**March 31, 2007**

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash	\$ 163,435	\$ -	\$ 163,435
Prepaid insurance	10,755	-	10,755
Due from other governmental units	11,382	-	11,382
Capital assets, net	-	779,106	779,106
Total assets	<u>\$ 185,572</u>	<u>779,106</u>	<u>964,678</u>
<b>Liabilities</b>			
Accounts payable	\$ 5,991	-	5,991
Accrued wages	9,789	-	9,789
Long-term debt:			
Due within one year	-	22,000	22,000
Due after one year	-	245,000	245,000
Total liabilities	<u>15,780</u>	<u>267,000</u>	<u>282,780</u>
<b>Fund Balance/Net Assets</b>			
Fund balance - unreserved, undesignated	<u>169,792</u>	<u>(169,792)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 185,572</u>		
Net assets:			
Invested in capital assets, net of debt		512,106	512,106
Unrestricted		<u>169,792</u>	<u>169,792</u>
Total net assets		<u>\$ 681,898</u>	<u>\$ 681,898</u>

See auditors' report and notes to financial statements.

**Watervliet Joint Fire Board**  
**Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance /**  
**Statement of Activities**  
**Year Ended March 31, 2007**

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Property taxes:			
Township of Watervliet	\$ 100,979	\$ -	\$ 100,979
City of Watervliet	54,499	-	54,499
Receipts from other governmental units:			
Township of Bainbridge	20,553	-	20,553
Donations	7,500	-	7,500
Other revenue	6,394	-	6,394
Total revenue	<u>189,925</u>	-	<u>189,925</u>
<b>Expenditures:</b>			
Personnel	38,925	-	38,925
Insurance	17,689	-	17,689
Repairs and maintenance	15,196	-	15,196
Utilities	11,384	-	11,384
Supplies	8,173	-	8,173
Professional services	5,993	-	5,993
Medical	1,921	-	1,921
Fuel	2,670	-	2,670
Education and training	3,616	-	3,616
Board fees	2,322	-	2,322
Conventions/conferences	600	-	600
Dues and subscriptions	524	-	524
Miscellaneous	991	-	991
Travel	1,323	-	1,323
Capital outlay	24,993	(24,993)	-
Debt service:			
Principal	20,000	(20,000)	-
Interest	11,980	-	11,980
Depreciation	-	61,801	61,801
Total expenditures	<u>168,300</u>	<u>16,808</u>	<u>185,108</u>
<b>Excess of Revenue over Expenditures /</b>			
<b>Change in Net Assets</b>	21,625	(16,808)	4,817
<b>Fund Balance/Net Assets - beginning of year</b>	<u>148,167</u>	<u>528,914</u>	<u>677,081</u>
<b>Fund Balance/Net Assets - end of year</b>	<u>\$ 169,792</u>	<u>\$ 512,106</u>	<u>\$ 681,898</u>

See auditors' report and notes to financial statements.

**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2007**

**Summary of Significant Accounting Policies**

**Reporting Entity**

The Watervliet Joint Fire Board is a joint venture between the City of Watervliet and the Township of Watervliet. The purpose of the Fire Board is to operate, maintain, provide and supervise fire service. The Fire Board operates under a Board of Trustees and consists of members appointed by the City and Township.

The Fire Board is defined as a governmental unit under criteria set forth by AICPA'S Audits of State and Local Governmental Units (ASLGU). These criteria include; a Board of Trustees consisting of representative members appointed or elected from the governmental units served and, the power to enact and enforce a tax levy.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The accounting policies of the Watervliet Joint Fire Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion an Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Board's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Fire Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements, including notes to the financial statements.

**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2007**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Fire Board's basic financial statements include both government-wide (reporting the Fire Board as a whole) and fund financial statements (reporting the Fire Board's major funds).

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Board's net assets are reported in four parts – invested in capital assets; designated net assets; restricted net assets; and unrestricted net assets.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenue to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when collected.

**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2007**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The Fire Board reports only one major governmental funds, the General Fund.

**Financial Statement Amounts**

**Bank Deposits and Investments** – The Fire Board has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables** – Property taxes are levied on December 1<sup>st</sup> based on the taxable valuation of the property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The Fire Board receives an advance from the Berrien County Revolving Fund for delinquent property taxes. The County collects the delinquent property taxes on behalf of the Fire Board.

**Capital Assets** – Capital assets are defined by the Fire Board as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40-50 years
Furniture and equipment	5-7 years
Vehicles	5-20 years

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2007**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

**Property Taxes –**

*Township of Watervliet* – In November of 2002, the electors of the Township of Watervliet approved a .9803 millage levy on the taxable property in the Township. The levy was renewed at 1 mill and an additional 1 mill was approved in August of 2006 and both will expire in 2010.

*City of Watervliet* – On July 15, 2004, the electors of the City of Watervliet approved a 2 millage levy on the taxable property in the City. The levy was renewed in August of 2006 and will expire in 2009.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Budget Information**

The annual budget is prepared by the Fire Board Director and adopted by the Fire Board of Trustees; subsequent amendments are approved by the Fire Board of Trustees. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, no amendments were made to the originally adopted budget.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures and changes in fund balances – budget and actual – general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of the actual results of operations, as adopted by the Fire Board, is presented in these financial statements.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2007**

**Budget Information – (Continued)**

During the year, the Fire Board incurred expenditures that were in excess of budget by more than \$5,000 in the following category:

	<u>Budget</u>	<u>Actual</u>
Capital outlay	\$15,000	\$24,993

**Deposits and Investments**

The Fire Board has designated one bank for the deposit of its funds. The investment policy adopted by the Fire Board is in accordance with Public Act 196 of 1997 and has authorized investments as authorized by state statute, including bonds, CD's, commercial paper, repurchase agreements, and mutual fund accounts. The Fire Board's deposits and investment policies are in accordance with statutory authority.

Custodial credit risk of bank deposits – Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned to it. The Fire Board does not have a deposit policy for *custodial credit risk*. At year end, the Fire Board's cash was comprised of bank deposits, including checking and savings accounts and cash on hand. The balance at March 31, 2007 was \$163,435. Of these funds, \$100,000 was covered by federal depository insurance.

**Capital Assets**

Capital asset activity was as follows:

	Beginning of year <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	End of year <u>Balance</u>
Land and improvements	\$ 20,179	\$ -	\$ -	\$ 20,179
Building under capital lease	521,118	-	-	521,118
Vehicles	522,627	-	-	522,627
Equipment	421,935	24,993	-	466,928
Total	1,485,859			1,530,852
Accumulated depreciation	(669,945)	(61,801)	-	(731,746)
Net book value	<u>\$ 815,914</u>	<u>\$ (36,808)</u>	<u>\$ -</u>	<u>\$ 779,106</u>

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2007**

**Long-term Debt**

**Debt service requirements** - On July 12, 2000, the Fire Board entered into an agreement to finance the construction of the building addition. The following is a summary of changes in long-term debt for the year ended March 31, 2007:

	<u>Interest Rate</u>	<u>Principal Maturity</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u>	<u>Due Within One Yr.</u>
Capital lease	4.325%	2015	<u>\$287,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$267,000</u>	<u>\$ 22,000</u>

**Risk Management**

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property, liability and workers' compensation.

**Reconciliation of Fund Financial Statements to Government-wide Financial Statements**

Total fund balance and the net change in fund balance of the Fire Board's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2007**

**Reconciliation of Fund Financial Statements to Government-wide Financial  
Statements (Continued)**

The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance – Modified Accrual Basis</b>	<b>\$ 169,792</b>
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Differences in the statement of net assets:

Capital assets are not financial resources and are not reported in the funds	779,106
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(267,000)</u>
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<b>Net Assets of General Fund – Full Accrual Basis</b>	<b><u>\$ 681,898</u></b>
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<b>Net Change in Fund Balances – Modified Accrual Basis</b>	<b>\$ 21,625</b>
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Differences in the statement of net assets:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	24,993
Depreciation	(61,801)

Repayments of principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>20,000</u>
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<b>Change in Net Assets of General Fund – Full Accrual Basis</b>	<b><u>\$ 4,817</u></b>
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**Watervliet Joint Fire Board**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended March 31, 2007**

	<u>Originally Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual Balances</u>	<u>Over (Under)</u>
<b>Revenues:</b>				
Property taxes:				
Township of Watervliet	\$ 95,000	\$ 95,000	\$ 100,979	\$ 5,979
City of Watervliet	52,000	52,000	54,499	2,499
Receipts from other governmental units:				
Township of Bainbridge	16,475	16,475	20,553	4,078
Donations	-	-	7,500	7,500
Other revenue	<u>5,000</u>	<u>5,000</u>	<u>6,394</u>	<u>1,394</u>
Total revenue	168,475	168,475	189,925	21,450
<b>Expenditures:</b>				
Personnel	51,900	51,900	38,925	(12,975)
Insurance	21,000	21,000	17,689	(3,311)
Repairs and maintenance	18,000	18,000	15,196	(2,804)
Utilities	10,000	10,000	11,384	1,384
Supplies	9,500	9,500	8,173	(1,327)
Professional services	5,100	5,100	5,993	893
Medical	6,200	6,200	1,921	(4,279)
Fuel	2,000	2,000	2,670	670
Education and training	4,200	4,200	3,616	(584)
Board fees	3,000	3,000	2,322	(678)
Dues and subscriptions	700	700	524	(176)
Miscellaneous	1,500	1,500	991	(509)
Capital outlay	15,000	15,000	24,993	9,993
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	<u>12,000</u>	<u>12,000</u>	<u>11,980</u>	<u>(20)</u>
Total expenditures	180,100	180,100	168,300	(11,800)
<b>Excess of Revenue over Expenditures / Change in Net Assets</b>	(11,625)	(11,625)	21,625	33,250
<b>Fund Balance/Net Assets - beginning of year</b>	<u>148,167</u>	<u>148,167</u>	<u>148,167</u>	<u>-</u>
<b>Fund Balance/Net Assets - end of year</b>	<u>\$ 136,542</u>	<u>\$ 136,542</u>	<u>\$ 169,792</u>	<u>\$ 33,250</u>

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September 25, 2007

Watervliet Joint Fire Board  
Watervliet, Michigan

Report of Comments and Recommendations

In connection with the audit of the financial statements of the Watervliet Joint Fire Board, for the year ended March 31, 2007, we offer the following comments for your consideration:

**Continuing recommendation:**

**Budget amendments** – The budget process includes a great deal of estimating and it is not unusual for significant variances to develop throughout the year. We recommend that the Fire Board continue to monitor actual financial results to the original budgets and amend the budget as needed. The budget was not amended this year to reflect the additional capital expenditures for equipment. Incurring expenditures in excess of the amount appropriated for in the budget is non-compliant with Public Act 2 of 1968.

**New recommendations:**

**Insurance coverage** - The insurance coverage should be routinely compared to the asset listing for adequate coverage. You may want to increase the coverage for equipment as the insurance coverage is less than the cost of the equipment used in your organization.

**QuickBooks features** – There are several features of QuickBooks that, if utilized, could enhance financial reporting to the Fire Board. If interested, we are able to provide training of the bank reconciliation, accounts payable, and budget features of QuickBooks.

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**Electronic file backup procedure** – Routine backup procedures ensure that valuable electronic information is not lost in the event of a disaster. The Fire Board currently has a policy of backing up electronic files monthly and storing the copy at the fire station. We recommend including a backup of the QuickBooks file to prevent a loss of financial data.

**Capitalization policy** – With the implementation of GASB 34, the Fire Board adopted a policy for capitalizing assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. We suggest the policy be put in writing to document its adoption and reduce misunderstandings.

**Custodial credit risk of bank deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned to it. The Fire Board does not have a deposit policy for *custodial credit risk*. The Fire Board may want to consider amending the current investment policy to include a provision for *custodial credit risk*. At year-end, the Fire Board's cash was comprised of bank deposits, including checking and savings accounts and cash on hand. The balance at March 31, 2007 was \$163,435. Of these funds, \$100,000 was covered by federal depository insurance.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

  
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